

Message Text

CONFIDENTIAL

PAGE 01 CANBER 07022 01 OF 02 250607Z

11

ACTION EA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 EB-04

CIAE-00 INR-05 NSAE-00 COME-00 AID-05 CIEP-01 /052 W

----- 117162

R 250539Z OCT 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4373

C O N F I D E N T I A L SECTION 1 OF 2 CANBERRA 7022

E.O. 11652: GDS

TAGS: EGEN, OVIP (CAIRNS, J F), AS

SUBJ: AUSTRALIAN DEPUTY PRIME MINISTER

CAIRNS' U.S. VISIT NOVEMBER 9-13

REF: (A) CANBERRA 7004

(B) CANBERRA 6967

(C) CANBERRA 6935

(D) CANBERRA 6352

(E) CANBERRA 5936

(F) CANBERRA 5407

(G) CANBERRA 5207

(H) CANBERRA 5011

(I) CANBERRA 4740

1. PURSUANT PARA 8 REF (A), THIS MESSAGE REVIEWS
DR. CAIRNS' ECONOMIC POLICY RECORD AND SUGGESTS
TOPICS USG MAY WISH TO DISCUSS WITH HIM DURING HIS
WASHINGTON APPOINTMENTS.

2. SINCE HE FIRST ENTERED CABINET IN DECEMBER 1972
IN JOINT PORTFOLIO AS MINISTER FOR OVERSEAS TRADE
AND MINISTER FOR SECONDARY INDUSTRY, AND SINCE JUNE
1974 AS MINISTER FOR OVERSEAS TRADE AND DEPUTY PRIME
MINISTER, DR. CAIRNS' PROMINENCE AND IMPACT IN
ECONOMIC POLICY HAS GROWN STEADILY. PRIOR TO HIS
SUCCESSFUL CONTEST IN JUNE 1974 TO OUST BARNARD
AS DEPUTY PRIME MINISTER, CAIRNS HAD ALSO CONTINUED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CANBER 07022 01 OF 02 250607Z

TO EXPRESS HIMSELF FREELY AND PUBLICLY ON BROAD

FOREIGN POLICY ISSUES. SINCE HE BECAME DEPUTY PRIME MINISTER THESE POLICY STATEMENTS OUTSIDE THE ECONOMIC AREA HAVE BEEN MUCH LESS FREQUENT. THIS MAY REFLECT THE GROWING AUSTRALIAN PREOCCUPATION WITH ITS SERIOUS DOMESTIC ECONOMIC PROBLEMS MORE THAN ANY CONSCIOUS CHANGE ON HIS PART.

3. THE FOLLOWING ARE NOTABLE FEATURES OF HIS PERFORMANCE IN THE ECONOMIC AREA:

(A) A TENDENCY IN GENERALIZED OR PHILOSOPHICAL STATEMENTS TO ATTRIBUTE MANY PROBLEMS BROADLY TO "THE SYSTEM" - NOT FURTHER DEFINED

(B) A TENDENCY TO DISPARAGE (1) ECONOMISTS, (2) THE CONCEPT OF ECONOMIC LIBERALISM, (3) RELIANCE ON MARKET FORCES, AND (4) THE PRESS

(C) A PRAGMATIC WILLINGNESS, HOWEVER, TO UTILIZE EXISTING ECONOMIC INSTITUTIONS TO THE UTMOST AS THEY SERVE AUSTRALIAN ECONOMIC OBJECTIVES

(D) AN ACCOMPANYING CONFIDENCE IN THE VALUE OF GOVERNMENTAL INTERVENTION THROUGH TARIFFS, SUBSIDIES, AND CAPITAL MARKET CONTROLS AND DEVICES TO STEER THE OPERATION OF THE INSTITUTIONS

(E) A DEEP CONTINUING INTEREST IN INCREASED AUSTRALIAN ECONOMIC RELATIONSHIPS WITH LDCS AND PLANNED ECONOMIES; IN PRACTICE, HIS SPECIAL INTEREST HAS BEEN PRC

(F) CONSISTENT EMPHASIS ON THE NEED FOR ECONOMIC GROWTH AND INVESTMENT IN ORDER TO MAINTAIN HIGH EMPLOYMENT AND PRODUCTION

(G) OVERALL, A HIGH DEGREE OF DAY-TO-DAY FLEXIBILITY IN MEETING ONCOMING PROBLEMS AS THEY ARISE AND TO UTILIZE EXPEDIENT MEANS AT HAND

4. DURING THE HEYDAY OF THE WHITLAM GOVERNMENT'S
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CANBER 07022 01 OF 02 250607Z

LIBERALIZATION DRIVE (REVALUATION, TARIFF REDUCTION, ELIMINATION OF INDUSTRIAL AND AGRICULTURAL SUBSIDIES), DR. CAIRNS ACQUIESCED IN, BUT WAS NOT IN THE FOREFRONT OF SUCH MOVES. HIS CONVERSION TO THE 25 PCT. TARIFF REDUCTION OF JULY 1973 WAS REGARDED AS A SIGNAL ACCOMPLISHMENT BY THE CABINET'S ACADEMIC ADVISERS. HE IS UNDERSTOOD TO HAVE BEEN UNENTHUSIASTIC ABOUT THE ABOLITION OF THE EXPORT INCENTIVE SCHEME. HIS

POSITION ON EXPORT INCENTIVES, AND HIS QUIET BUT CANDIDLY EXPRESSED CONCERN THAT SOME INDUSTRIES' TARIFF PROTECTION MIGHT HAVE BECOME INADEQUATE PLUS HIS VIGOROUS INTEREST IN FORSTERING MANUFACTURING INDUSTRY MADE HIM UNEXPECTEDLY POPULAR IN INDUSTRIAL CIRCLES.

5. HIS INTEREST IN CLOSER ECONOMIC RELATIONS WITH THE DEVELOPING COUNTRIES AND COUNTRIES WITH CENTRALLY PLANNED ECONOMIES UNDERLIES ONE OF HIS TWO PRINCIPAL PERSONAL LEGISLATIVE PROJECTS - NAMELY THE CREATION OF AN OVERSEAS TRADING CORPORATION. THIS PROPOSAL, WHICH STILL HAS NEVER BEEN SPELLED OUT IN DETAIL, IS STILL PENDING AND APPEARS TO BE WHOLLY HIS BRAINCHILD. SO FAR AS WE HAVE BEEN ABLE TO LEARN, NEITHER THE STAFF OF THE DEPARTMENT OF OVERSEAS TRADE NOR OF THE ATTORNEY GENERAL'S DEPARTMENT HAS YET BEEN SUCCESSFUL IN DEVELOPING A DETAILED PROPOSAL ON THIS MATTER.

6. HIS INTEREST IN A HIGH LEVEL OF INVESTMENT AND DEVELOPMENT, COUPLED WITH HIS OBJECTIVE OF MAINTAINING FIRM AUSTRALIAN DOMESTIC CONTROL OF THE INVESTMENT PROCESS, UNDERLIES HIS OTHER MAJOR PERSONAL LEGISLATIVE PROJECT - THE BROADENING OF THE AUSTRALIAN INDUSTRIES DEVELOPMENT COMMISSION AND THE CREATION OF A NATIONAL INVESTMENT FUND. THESE COMPLEX PROPOSALS HAVE TWICE BEEN RESISTED BY THE SENATE AND ARE STILL AWAITING LEGISLATION. THEY WOULD GREATLY WIDEN THE ROLE OF THE PRE-EXISTING AIDC, PUT IT HEAVILY IN THE BUSINESS OF MOBILIZING DOMESTIC CAPITAL FOR INVESTMENT AND MAKE IT AN INSTRUMENT FOR THE INVESTMENT OF PUBLIC FUNDS IN CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CANBER 07022 01 OF 02 250607Z

PROJECTS OF SPECIAL NATIONAL INTEREST. MOREOVER, DR. CAIRNS, STRONGLY SUPPORTED ON THIS POINT BY THE MINISTER FOR MINERALS AND ENERGY MR. CONNOR, HAS REPEATEDLY SUGGESTED THAT IN SOME FASHION THE AIDC WOULD BECOME AN INTERMEDIARY BETWEEN FOREIGN EQUITY CAPITAL AND AUSTRALIAN INVESTMENT PROJECTS, SERVING THE PURPOSE OF MOBILIZING THE CAPITAL WHILE RETAINING FULL AUSTRALIAN CONTROL OF THE INVESTMENTS. THE EXACT DETAILS OF HOW THIS WOULD WORK HAVE NOT YET BEEN SPELLED OUT.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 CANBER 07022 02 OF 02 250613Z

11

ACTION EA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 EB-04

COME-00 CIAE-00 INR-05 NSAE-00 AID-05 CIEP-01 /052 W

----- 117134

R 250539X OCT 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4374

C O N F I D E N T I A L SECTION 2 OF 2 CANBERRA 7022

7. DR. CAIRNS' PRAGMATISM HAS ENDEARED HIM TO THE AUSTRALAIN BUSINESS COMMUNITY, NOTWITHSTANDING THEIR INITIAL FEARS BASED ON HIS PREVIOUS LEFT-WING RECORD. HE IS NOW VIEWED AND ACCEPTED BY MANY BUSINESSMEN AS THE MAN TO SEE IN CANBERRA TO GET A PROMPT, PRACTICAL AND DOWN-TO-EARTH SOLUTION FOR INDUSTRIAL PROBLEMS.

8. IN RECENT MONTHS, AS AUSTRALIA'S ECONOMIC PROBLEMS DEEPENED, DR. CAIRNS HAS DISPLAYED A MARKED TENDENCY TO BE DAYS OR WEEKS AHEAD OF THE BALANCE OF HIS ALP COLLEAGUES IN DISCERNING AND PROCLAIMING PUBLICLY THE NEED FOR MODIFICATION OR REVERSAL OF PREVIOUS WHITLAM GOVERNMENT POLICIES, MANY OF THEM STILL STRONGLY ESPOUSED BY THE PRIME MINISTER. EXAMPLES HAVE INCLUDED HIS LEADERSHIP OF THE REVOLT AGAINST TREASURY WHICH EVENTUALLY REVERSED AND DOMINATED THE CHARACTER OF THE BUDGET PRESENTED IN SEPTEMBER, HIS QUESTIONING OF THE ELIMINATION OF SUPERPHOSPHAGE BOUNTIES FOR FARMERS, HIS INITIATIVE IN BRINGING ABOUT THE RECENT DEVALUATION, AND HIS CENTRAL ROLE IN DECISIONS TO SEEK IMPORT RESTRAINTS ON TEXTILES AND FOOTWEAR. IN RECENT WEEKS HE HAS BEEN AT THE CENTER OF EFFORTS TO FIND A FORMULA TO PREVENT OR CUSHION THE DEMISE OF THE LEYLAND AUTOMOBILE COMPANY, AND IS CURRENTLY LEADING THE EFFORTS TO ARRANGE FOR RESTRAINTS ON JAPANESE AUTOMOBILE EXPORTS TO AUSTRALIA.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CANBER 07022 02 OF 02 250613Z

9. AT THE TIME HE BECAME DEPUTY PRIME MINISTER, DR. CAIRNS IS UNDERSTOOD TO HAVE SOUGHT TO HAVE THE RELATIVELY LIBERAL TRADE-ORIENTED INDUSTRIES ASSISTANCE BOARD (THE FORMER TARIFF BOARD) REMOVED FROM THE PRIME MINISTER'S CONTROL AND PLACED UNDER HIS OWN OFFICE. THE PRIME MINISTER, WHO IS A STRONG SUPPORTER OF THE BOARD, DID NOT ACCEPT THIS PROPOSAL AT THE TIME. MORE RECENTLY, WHILE ACTING PRIME MINISTER, DR. CAIRNS PLEADED THE ASSOCIATED CHAMBER OF MANUFACTURERS OF AUSTRALIA BY SUPPORTING ITS DEMAND FOR A SLOWDOWN IN THE SCHEDULE FOR THE IAC'S ONGOING REVIEW OF THE AUSTRALIAN TARIFF, UNTIL NEW CRITERIA FOR DEFINING ADEQUATE PROTECTION LEVELS COULD BE DEVELOPED. CURRENTLY DR. CAIRNS HAS AN IMPORTANT ROLE IN THE STRUGGLE NOW TAKING PLACE OVER THE IAC'S PROPOSALS FOR A MAJOR RESTRUCTURING OF THE AUSTRALIAN AUTOMOBILE INDUSTRY AND IS BELIEVED TO BE SYMPATHETIC TO THE SEVERELY CRITICAL VIEWPOINT OF THE DOMESTIC AUTOMOTIVE INDUSTRY, ITS SUPPLIERS, AND AUTOMOTIVE LABOR.

10. TO SUM UP, DR. CAIRNS HAS DURING THE PAST FEW MONTHS BECOME THE ACKNOWLEDGED LEADER WITHIN THE ALP CABINET AND CAUCUS OF FORCES CALLING FOR THE MODIFICATION OR REVERSAL OF THE MAIN THRUSTS OF PREVIOUS WHITLAM GOVERNMENT ECONOMIC POLICIES AND IN DOING SO HAS ENHANCED HIS PRESTIGE WITH BOTH THE BUSINESS AND LABOR LEADERSHIP OF AUSTRALIA.

11. AS THE AMBASSADOR HAS REPORTED IN PREVIOUS MESSAGES, THERE IS A STRONG LIKELIHOOD THAT DR. CAIRNS IS A FUTURE OPPOSITION LEADER AND PRIME MINISTER. WE BELIEVE THAT HIS WASHINGTON PROGRAM SHOULD BE DESIGNED ON THIS ASSUMPTION, AND THAT THE USG SHOULD MAKE FULL USE OF THIS OPPORTUNITY TO EXPLORE HIS VIEWS AND OUTLOOK ON A WIDE RANGE OF POLITICAL AND ECONOMIC SUBJECTS. REF (B) HAS ALREADY SUGGESTED SOME OF THE POINTS WHICH MIGHT BE EXPLORED IN THE POLITICAL AREA. ON THE ECONOMIC FRONT WE SUGGEST THAT THE FOLLOWING

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CANBER 07022 02 OF 02 250613Z

SPECIFIC AND GENERAL SUBJECTS SHOULD BE EXPLORED:

(A) HIS PRECISE VIEW OF THE NEED FOR AND OPERATING TECHNIQUE OF AN OVERSEAS TRADING CORPORATION

(B) PRECISELY HOW THE AIDC, WHEN AND IF ITS

LEGISLATION IS ADOPTED, WOULD BE INSERTED IN THE FLOW
OF INVESTMENT OF FOREIGN CAPITAL IN AUSTRALIAN
ENTERPRISES

(C) WHAT DR. CAIRN'S VIEW IS OF THE EVENTUAL
INDUSTRIAL STRUCTURE OF AUSTRALIA, WITH SPECIAL
REFERENCE TO THE STRUCTURE OF ITS INDUSTRIAL
IMPORTS AND EXPORTS

(D) HIS VIEWS ON HOW (OR WHETHER) GIVEN THE
MILITANCY OF AUSTRALIAN ALBOR, AUSTRALIA WILL COPE
WITH THE CURRENT WAGE PRICE SPIRAL

(E) HIS BROAD VIEW AS TO THE LONG-TERM ROLE OF
EXTERNAL PRIVATE CAPITAL IN THE AUSTRALIAN ECONOMY

(F) HIS OBSERVATIONS ON THE GUYANA IBA MEETING,
AND GROWING OUT OF THAT HIS OWN GENERAL
PHILOSOPHY CONCERNING PRODUCER CARTELS, RELATIONS
BETWEEN PRODUCING AND CONSUMING NATIONS, AND THE
FUTURE ROLE AND POLICY OF AUSTRALIA AS A WORLD
SUPPLIER OF RAW MATERIALS.

12. REFS (D) THROUGH (I) ARE PREVIOUS MESSAGES
WHICH CONTAIN BACKGROUND ON THE ORIGIN OF DR. CAIRNS'
PRESENT STATUS IN ECONOMIC POLICY, HIS ROLE IN THE
WHITLAM CABINET AND HIS RELATIONS WITH THE PRIME
MINISTER.
GREEN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CANBER07022
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740304-1000
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741017/aaaaaobl.tel
Line Count: 306
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) CANBERRA 7004
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUL 2002 by boyleja>; APPROVED <12 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN DEPUTY PRIME MINISTER CAIRNS' U.S. VISIT NOVEMBER 9-13
TAGS: EGEN, OVIP, AS, US, (CAIRNS, J F)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005